

BUDGET LETTER

	NUMBER: 01-28
SUBJECT: UNALLOCATED STATE OPERATIONS REDUCTION	DATE ISSUED: August 10, 2001
REFERENCES: SECTION 3.90, BUDGET ACT OF 2001	SUPERSEDES:

TO: Agency Secretaries
Department Directors
Departmental Budget Officers
Departmental Accounting Officers
Department of Finance Budget Staff

FROM: DEPARTMENT OF FINANCE

Background

Section 3.90 of the Budget Act of 2001 requires the reduction of Non-Proposition 98 General Fund support appropriations. This reduction shall total a cumulative amount of \$50,000,000 and is permanent. This Budget Letter provides instructions on the submission of information to the Department of Finance (Finance) to facilitate the reductions and the required reporting to the Legislature.

Finance shall reduce support appropriations based upon detailed plans to be developed by Agency Secretaries, and if no Agency Secretary, by the appropriate authority, e.g., department director. These plans are subject to review, revision, and/or approval by Finance. In the fall of 2001, Finance will process Executive Orders to the State Controller's Office to effect the reductions.

Agencies and departments must complete all applicable attachments in full, but succinctly.

Attachments included in this Budget Letter:

- Attachment I—General Fund Reduction Amount For Each Agency/Appropriate Authority (prepared by Finance).
- Attachment II—General Fund Reduction Allocation to Departments within an Agency (to be prepared by Agency Secretaries). Departments not reporting to an Agency do not need to complete this Attachment.
- Attachment III—Scheduling Details (to be prepared by each department with an allocated reduction). For a department reporting to an Agency, the total reduction on Attachment III must match the Agency's departmental allocation on Attachment II. Thus, each Agency Secretary must provide timely notification of the allocated reduction to its respective departments.
- Attachment IV—Reduction Impact Details (to be prepared by each department with reduction allocated).

Allocation of Reduction Within Each Agency

Departments, or specific programs within a department, identified in Section 3.90 are exempt from the reductions. Based on the exemptions, the necessary reduction for non-exempt departments amounts to 2.4 percent of their support appropriations. Attachment I contains the amounts to be allocated by each Agency Secretary or each department that does not report to an Agency. Each Agency Secretary is required to complete Attachment II. Information provided on Attachment II represents the Agency's allocation reduction plan among the departments within the Agency. The total on Attachment II must tie to the amount on Attachment I for each Agency. The Agencies have discretion to exempt specified departments and/or programs within the Agency provided the total reduction is achieved for the Agency.

Careful consideration should be given in the allocation of reduction to departments and/or programs. All Budget Change Proposals to backfill these reductions will be rejected.

Details of Reduction Within Each Entity (Agencies and Departments)

Scheduling Detail—Attachment III must be completed by each entity (departments or the Agencies themselves) allocated a reduction amount. This worksheet provides Finance with scheduling detail for the Executive Orders. The total reduction amount shown on the worksheets (Line A) for each entity must equal the amount on Attachment II (for departments within an Agency) or Attachment I (for departments that do not report to an Agency).

Reduction Impact—Section 3.90 also requires legislative reporting of the following information:

- The program(s) affected by the reduction.
- Reduction in positions.
- Statement whether the reduction is to eliminate resources in excess of those needed to carry out programs effectively.
- The effect on program functions or services.
- How and when the reduction will be accomplished.

No reduction may be allocated to a general category, such as salary savings or general operating expenses. Each department allocated a reduction must also complete Attachment IV.

Governor's Budget Display and Related Budget Documents

The reductions must be shown on budget documents as follows:

- **Supplementary Schedule of Appropriations (Schedule 10s)**—use "Adjustment per Section 3.90" as the description of the adjustment.
- **Reconciliation with Appropriations (RWA)**—Per Budget Letter 01-18, RWAs will be produced automatically from Schedule 10s.
- **Schedule 2, Changes in Authorized Positions**, add a separate category "Adjustment per Section 3.90" and identify positions related to this reduction, if appropriate. A sample will be included in a future Budget Letter.
- **Major Budget Adjustment for 2001-02**—add a bullet in the appropriate program area(s) identifying the reduction (indicate reductions in Personal Services and/or Operating Expense and Equipment).
- **Planning Estimates**—Use line 0700 with an explanation of "Adjustment per Section 3.90".

Due Dates

September 6—Return Attachments II, III and IV to your Finance Budget Analyst. Attachment II does not apply to departments that do not report to an Agency.

If you have any questions about this Budget Letter, please contact your Finance Budget Analyst.

A handwritten signature in black ink, appearing to read "Betty T. Yee", with a stylized, flowing script.

BETTY T. YEE
Chief Deputy Director

Attachments

2001-02
Section 3.90--Reduction Impact Details
(Dollars in Thousands)

Org Code _____
Department Name _____

Program Name	Amount of Reduction	No. of Positions/PYs to be Reduced ^{1/}	Effect on Program Functions or Services ^{2/}	How to accomplish reduction? ^{2/}	When to accomplish reduction? ^{2/}

Total Reduction (must tie to Attachment IV)

^{1/} Post both positions and personnel years. For example, post 10.0/9.5 for 10.0 positions and 9.5 personnel years.
^{2/} Attach separate documents if necessary.